

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 15, 2010
POSITION: Neutral

BILL NUMBER: AB 1954
AUTHOR: N. Skinner
RELATED BILLS: SB 722

BILL SUMMARY: Electrical Transmission: Renewable Energy Resources

Existing law requires the Public Utilities Commission (PUC) to issue a Certificate of Public Convenience and Necessity (CPCN) before an Investor-Owned Utility (IOU) may begin construction of a transmission line.

This bill would provide an application by an electrical corporation for a certificate of public convenience and necessity for new transmission facilities is necessary to the provision of electric service if the commission finds that new facilities facilitate achievement of the renewables portfolio standard. The bill also would authorize the PUC to approve the recovery of retail rates of certain transmission facilities costs if not approved by the Federal Energy Regulatory Commission.

The bill would only become operative if this bill and SB 722 are both enacted and become effective on or before January 1, 2011.

FISCAL SUMMARY

The Energy Commission has indicated that it would require \$96,000 Energy Resources Programs Account and 1.0 position to implement this bill. The Department of Finance does not necessarily concur in this estimate. Any staffing and resource needs would be evaluated during the annual development of the Governor's Budget.

The PUC estimates that costs to implement the bill would be minor and absorbable. The Department of Finance concurs.

COMMENTS

The Department of Finance is neutral on this bill.

The bill is intended to enhance the state's ability to meet its current renewable energy goals by removing obstacles to the financing of projects that would help the state meet the Renewable Portfolio Standard.

This bill would authorize the PUC to administratively pre-approve utility costs for transmission lines that facilitate achieving the Renewables Portfolio Standard (RPS). The bill also would authorize the PUC to approve the recovery in retail rates by an electrical corporation of specified transmission facility costs incurred in specified circumstances if not approved for recovery in transmission rates by the Federal Energy Regulatory Commission.

Finally, the bill would authorize the California Energy Commission (Energy Commission) to allow de minimis quantities of non-renewable fuel, when used in a renewable electricity generation facility, to exceed two percent of total fuel used under certain circumstances. Specifically, the de minimis quantity could be as high as five percent of total fuel when the Energy Commission determines: 1) that the facility demonstrates that

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| Analyst/Principal (0621) K. DaRosa | Date | Program Budget Manager Karen Finn | Date |
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| Department Deputy Director | Date |
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| Governor's Office: | By: | Date: | Position Approved _____ |
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| BILL ANALYSIS | Form DF-43 (Rev 03/95 Buff) |
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AUTHOR

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COMMENTS(Continued)

the higher non-renewable fuel use would lead to an increase in generation from the eligible renewable energy facility that is greater than generation from the nonrenewable fuel alone; and 2) the increased de minimis amount would reduce the variability of the facility's electrical output in a manner that results in net environmental benefits to the state.

SUMMARY OF CHANGES

Amendments to this bill since our analysis on April 12, 2010 version are minor and do not alter our position. The bill has been amended to allow the Energy Commission to adjust the de minimis quantity up to 5 percent in specified conditions. The previous version allowed the de minimis amount to reach 10 percent.

SB 722 (Simitan) would require California energy providers to buy 33 percent of their energy from clean, renewable energy sources by 2020.

| | | SO | (Fiscal Impact by Fiscal Year) | | | | | | |
|-------------------|--|------------------------|------------------------------------|-----------|----|-----------|----|-----------|------|
| Code/Department | LA | (Dollars in Thousands) | | | | | | | |
| Agency or Revenue | CO | PROP | | | | | | | Fund |
| Type | RV | 98 | FC | 2010-2011 | FC | 2011-2012 | FC | 2012-2013 | Code |
| 3360/Energy Comm | SO | No | C | \$48 | C | \$96 | C | \$96 | 0465 |
| 8660/PUC | SO | No | ----- No/Minor Fiscal Impact ----- | | | | | | 0462 |
| <u>Fund Code</u> | <u>Title</u> | | | | | | | | |
| 0462 | Publ Utilities Comm Utilities Reimb Acct | | | | | | | | |
| 0465 | Energy Resources Programs Account | | | | | | | | |